

Message Text

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ORIGIN COME-00

INFO OCT-01 AF-10 NEA-14 ISO-00 SP-03 AID-20 EB-11 NSC-07

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CIAE-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 IGA-02 H-03 L-03 /146 R

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APPROVED BY: EB/CBA/OCA/REP:G P WILSON

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STATE/EB/IFB/ODF:MLINTON (CONTENTS)

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EXIMBANK INFO

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TREASURY/TBURKE (CONTENTS)

----- 113090

P 212131Z MAY 74

FM SECSTATE WASHDC

TO AMCONSUL LUBUMBASHI PRIORITY

AMEMBASSY KINSHASA PRIORITY

INFO AMCONSUL BUKAVU PRIORITY

AMCONSUL KISANGANI PRIORITY

AMEMBASSY TRIPOLI PRIORITY

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E.O. 11652: N/A

TAGS: BEXP, CG

SUBJECT: GECAMINES EXPANSION

REF: A) LUBUMBASHI 234; B) LUBUMBASHI 229; C) KINSHASA 4100;

D) KINSHASA 4030; E) LUBUMBASHI 0169; F) KINSHASA 2855;

G) KINSHASA 4315; H) TRIPOLI 0549

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1. APPRECIATE TIMELY REPORTING CONTAINED IN REFTELS.

2. WE ARE INQUIRING THROUGH U.S. EXECUTIVE DIRECTOR AT WORLD BANK CONCERNING BACKGROUND AND STATUS ON FINANCING OF GECAMINES EXPANSION AS REPORTED IN REFTELS. WOULD APPRECIATE ANY FURTHER INFORMATION WHICH KINSHASA/LUBUMBASHI MAY HAVE REGARDING FOLLOWING POINTS:

(A) WHO INITIATED THE CONCEPT OF FULL WORLD BANK PARTICIPATION IN THE GECAMINES COMPLEX, THE BANK OR THE GOZ. WHO ARE PRINCIPAL GOZ BACKERS OF THE WORLD BANK PROPOSAL AND HOW FIRM IS THE GOZ DECISION TO ACCEPT THE WORLD BANK FINANCING.

(B) WHAT GUARANTEES OR MODIFICATIONS IN PROCUREMENT POLICIES HAS THE BANK PROPOSED TO FACILITATE COMPLETION OF EXPANSION PROGRAM BY MID-1977. WHAT ARE THE TERMS OF THE BANK'S PROPOSAL.

(C) WILL KEY ELEMENTS OF PROCUREMENT AND DETAILED ENGINEERING, WHICH ARE EXPECTED TO BE PROVIDED BY SGM BRUSSELS, BE FINANCED BY WORLD BANK AS AN EXTERNAL COST. HOW IS DECISION TO USE SGM TO BE EXPLAINED IN VIEW UMBA'S COMMENTS DURING TASK FORCE MEETINGS THAT GECAMINES INTENDED TO REDUCE ITS RELIANCE ON SGM FOR TECHNICAL AND MARKETING ASSISTANCE.

(D) HOW HAS GECAMINES FINANCED ITS PREVIOUS EXPANSION PROGRAMS. WE UNDERSTAND IT HAS NOT USED CONCESSIONARY FINANCING BUT HAS RELIED ON SUPPLIER CREDITS, EXIM FINANCING AND THE EUROPEAN INVESTMENT BANK.

(E) WHICH U.S. COMMERCIAL BANKS HAVE BEEN PURSUING PROJECT AND HAVE ANY FINANCING PROPOSALS BEEN PRESENTED TO GECAMINES.

3. SINCE SPLITTING PROJECT INTO MODULES, AS IBRD FINANCING REQUIRES, WOULD REDUCE U.S. EXPORTS PROSPECTS, WE WOULD LIKE TO DRAW ATTENTION OF BIENGIMANA AND/OR OTHERS WHO ARE KEYS TO GOZ THINKING ON PROJECT, TO POSSIBLE PITFALLS WORLD LIMITED OFFICIAL USE

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BANK FINANCING APPROACH. THIS, OF COURSE, WOULD HAVE TO BE DONE WITHOUT CREATING IMPRESSION THAT U.S. SEEKS TO OBSTRUCT BANK FINANCING OF PROJECT FOR ITS OWN COMMERCIAL ENDS. BELIEVE THIS MIGHT BE ACCOMPLISHED BY POINTING OUT THAT U.S. INDUSTRY TASK FORCE CONCLUDED TURN KEY APPROACH MOST EFFICIENT AND THAT WE THINK GOZ SHOULD BE AWARE OF TASK FORCE THINKING. (FYI, WHILE WE HAVE INSUFFICIENT INFO AT THIS POINT TO JUDGE RELATIVE MERITS IBRD AND TURNKEY

APPROACHES, WE FEEL IT VERY IMPORTANT THAT GOZ BE FULLY AWARE OF TASK FORCE'S ARGUMENTS.) IF EMBASSY, AFTER CONSULTING WITH CONSUL LUBUMBASHI, SEES NO PROBLEM THIS APPROACH IT SHOULD REVIEW WITH GOZ POINTS RAISED REF E AND F, WITH PARTICULAR EMPHASIS ON FOLLOWING:

(A) SPLITTING CONTRACT INTO SMALLER MODULES AND TENDERING EACH SEPARATELY COULD RESULT, WHEN CONTRACTS ARE LET AND CONSTRUCTION BEGINS, IN MAJOR INTERFACING PROBLEMS. GECAMINES WOULD HAVE TO INCREASE THE SIZE OF ITS PERMANENT ENGINEERING STAFF TO HANDLE THESE PROBLEMS BUT MORE IMPORTANT ON COMPLETION OF THE FACILITY COMPANY WOULD FIND IT DIFFICULT TO FIX RESPONSIBILITY IF ANY PORTION OF THE COMPLEX IS FOUND TO BE DEFECTIVE. UNDER THE TASK FORCE APPROACH, THE PROJECT MANAGER WOULD HAVE UNDIVIDED RESPONSIBILITY TO GECAMINES FOR ALL PHASES OF THE COMPLEX.

(B) THE U.S. TASK FORCE PROPOSAL OFFERED A SCHEDULE WHICH IF ACCEPTABLE TO GECAMINES WOULD HAVE LEAD TO START UP OF CONSTRUCTION WORK BY SEPTEMBER-OCTOBER 1974. IT IS DOUBTFUL THAT WORLD BANK TENDERING PROCEDURES COULD GUARANTEE AS RAPID A START UP.

(C) ANY DELAY BEYOND THE MID 1977 COMPLETION DATE WOULD MEAN A LOSS OF COPPER REVENUES OF \$16-\$18 MILLION PER MONTH. TIMING SHOULD BE GIVEN EQUAL CONSIDERATION WITH COST WHEN APPRAISING DIFFERENCES IN THE COST OF FINANCIAL PACKAGE. FYI. ONE INTERESTED U.S. BANK SOURCE INDICATED TO US THAT INTEREST CHARGES OVER THE COURSE OF A COMMERCIAL LOAN ON A PROJECT IN MAGNITUDE OF GECAMINES EXPANSION WITH SIMILAR MATURITIES WOULD BE WITHIN ONE PERCENT OF THE WORLD BANK RATE.

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4. IF GOZ PREFERENCE FOR IBRD FINANCING IS BASED ON POLITICAL CONSIDERATION, AS SOURCE OF INFORMATION KINSHASA 4315 SEEMS TO SUGGEST, MARSHALLING ECONOMIC ARGUMENTS MAY BE TO LITTLE AVAIL. WE WOULD BE INTERESTED IN EMBASSY'S ANALYSIS OF POLITICAL FACTORS INVOLVED. ONE HYPOTHESIS WHICH STRIKES US AS WORTH CONSIDERING IS THAT MOBUTU FEELS THAT ALREADY HEAVY US INVOLVEMENT IN ZAIRE'S POWER/MINERALS DEVELOPMENT (INGA-SHABA, SMTF, GULF, TEXACO, MOBIL AND POTENTIALLY REYNOLDS, KENNICOTT AND ESSO EASTERN) WOULD BECOME EXCESSIVE WITH ADDITION OF TURNKEY CONTRACT FOR GECAMINES EXPANSION. CONCERNS COULD BE FEAR OF VULNERABILITY TO U.S. PRESSURE, ZAIRE'S INTERNATIONAL IMAGE, RELATIONS WITH OTHER WESTERN COUNTRIES, ETC. SPREADING PROJECTS AROUND AMONG COMPANIES AND DONORS OF DIFFERENT FOREIGN COUNTRIES IS ALREADY FAMILIAR MOBUTU PATTERN. SUGGEST EMBASSY, AT ITS DISCRETION AND IF OPPORTUNITY ARISES, TEST OUT HYPOTHESIS WITH GOZ. IF CONCERN

WITH LEVEL OF U.S. INVOLVEMENT DOES IN FACT APPEAR TO BE SERIOUS
ELEMENT IN GOZ THINKING ABOUT GECAMINES EXPANSION, COULD TURNKEY
APPROACH BE MADE MORE ATTRACTIVE IF U.S. GROUP INCLUDED
EUROPEAN PARTNER? (WE RECOGNIZE THAT TECHNICAL SPECIFICATIONS
ON EXPANSION ALREADY REQUIRE INCLUSION OF FOREIGN PARTICIPANTS
AS SUB-CONTRACTORS IN ANY U.S. PROPOSAL, E.G. FOR FINISH FLASH
SMELTER.) WITHOUT ACTUALLY PROPOSING IT, EMBASSY MAY BE ABLE
TO ELICIT SOME SUGGESTION OF WHAT GOZ REACTION TO THIS GAMBIT
WOULD BE.

5. WE WILL KEEP EMBASSY/CONSULATE INFORMED OF FURTHER
DEVELOPMENTS. RUSH

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